



DLA Acquisition Initiatives DOD Shelf Life Conference August 24, 2004

***Right Item, Right Time, Right Place, Right Price,
Every Time...
Best Value Solutions For America's Warfighter***



Agenda

- **DLA Enterprise**
- **Business Strategy**
- **Strategic Materiel Sourcing**
- **Strategic Supplier Alliances**
- **Socio-economic focus**
- **Summary**



The DLA Enterprise

FY 02 Sales/Services:

\$21.5B

FY 03 Sales/Services:

\$25B

FY 04 Projection:

\$28.9B

- **Energy:** \$ 5.2B
- **Distribution:** \$ 2.2B
- **Other:** \$ 1.4B

Scope of Business

- **45,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#54 Fortune 500 - Above Northrop Grumman**
- **#2 in Top 50 Distribution Warehouses**
- **23 Distribution Depots**
- **5.2 Million Items**
- **24.7M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **147.7M Net Barrels Fuel Sold (FY 03)**
- **\$12.5B Annual Reutilizations/Disposals**

Foreign Military Sales

- **Sales: \$719M**
- **Shipments: 580K**
- **Supporting 124 Nations**

People

- **21,468 Civilians**
- **525 Active Duty Military**
- **637 Reserve Military**
- **Located in 48 States/28 Countries**



Customer/Supplier Integration with DLA Mission

Distribution Planning

Load Planning

Network Warehouse

Management

IT Systems Integrated w/Partners

Manage Vendor

& Carrier Performance

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Customer Relationship Management

- Customer Insight
- Customer
- Service
- Emergent
- Problem Resolution

Business Systems Modernization

Fulfillment

- Planning
- Financial Management

- Procurement
- Tech &

- Strategic Material Sourcing
- Strategic Supplier Alliance
- Supply Chain Integration

Supplier Relationship Management

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Systems Architecture (SAP/Manugistics)

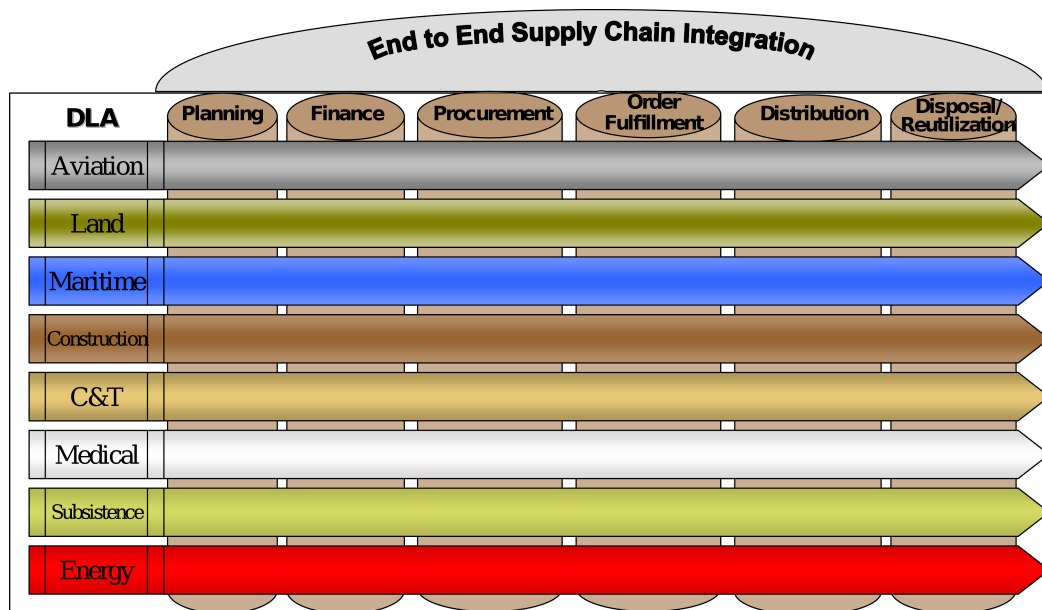
Data Architecture (Integrated Data Environment)

Technical Architecture (Common Protocols and Standards)

Technical Infrastructure (Enterprise Telecommunications and Network Data Center)



Business Strategy Within Supply Chains



➤ Provide end-to-end supply chain integration

- Integrate and leverage existing capabilities
- Lead when opportunities exist (e.g. Integrated Prime Vendor)
- Partner when they don't
 - Services (e.g. repairables partnering with consumables)
 - Private Industry (e.g. VIPR, DTCI)

➤ Provide portfolio of services beyond item management

- Tailored... from warfighter need to satisfaction, retrograde, and disposal

➤ Develop single enterprise view of the entire supply chain

- Measure by supply chain



Strategic Materiel Sourcing

From

To

**Reliance on
Government Inventories**



**Leveraging the Commercial
Market & Strategic Distribution**

**Management of
Individual
Items**



**Managing Long Term, Corporate
Contracts & Strategic Sourcing**

**Managing Individual
Processes**



Managing All Logistics Processes

How

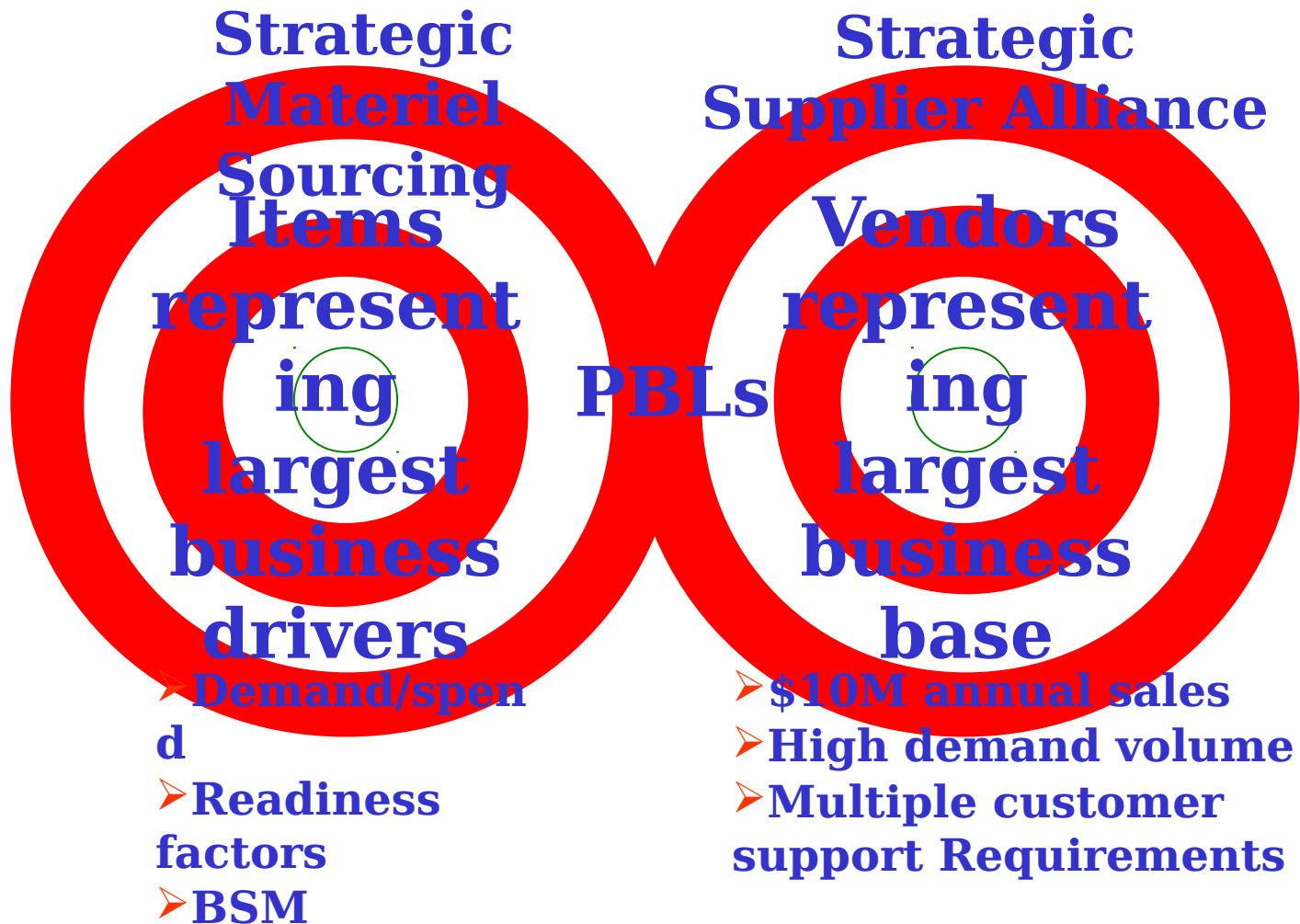
Single Sourcing/Distribution Strategy

- ✓ **Arrange for Full Range Logistics Services and Rely on Contractor-Owned Assets up to Point of Consumption**
- ✓ **When a Single Provider Can't Do It All, Integrate Multiple Commercial Sources and DLA Assets (Buying Power and Depot System) to Meet Customer Requirements**
- ✓ **Partner With Industry/Military Services/Agencies**

**While Maintaining
a Balance in Our
Socioeconomic
Programs**



Strategic Materiel Sourcing Targets of Opportunity





Strategic Material Sourcing Solutions Quadrant





Strategic Materiel Sourcing Contract Toolbox

Standard Long Term Contract	Corporate Contract	Performance Based Logistics	Strategic Supplier Alliance
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Reduced administrative lead time (ALT) and costs

Reduced production lead time (PLT) and inventory

Reduced DLA infrastructure costs
Time and resources required to put the contract in place





Strategic Supplier Alliance (SSA)

- **Who:** Two (or more) parties with common objectives and an expected long term involvement in mutually pursuing those objectives
- **What:** Signed agreement between members, negotiated in good faith, and built on trust, to collaboratively pursue common objectives
- **Why:** Significantly improves the potential of successfully accomplishing their objectives
- **How:** Executed through a multi-phased and multi-layered process
 - Done in a continuous process that requires commitment
 - Done using effective internal & external communications
 - Done in steps, gradually increasing scope & objectives
 - Done concurrently throughout the organization from top to

Foundation for building beneficial relationships & leveraging our total capabilities



DLA Strategic Alliances

FY02	FY03	FY04	FY05
<i>Boeing</i>	<i>Avibank</i>	<i>Eaton</i>	Unison Industries
<i>Pratt & Whitney</i>	<i>Canadian Commercial Corporation</i>	<i>Osh Kosh</i>	Warren Pump
<i>General Electric</i>	<i>Hamilton Sundstrand</i>	<i>AM General</i>	Night Vision
<i>Parker Hannifin</i>	<i>SPS Technology</i>	<i>Goodrich</i>	
<i>Northrop Grumman</i>	<i>Sikorsky</i>	<i>Rolls Royce</i>	
<i>Dresser Rand</i>	<i>Textron</i>	<i>Aircraft Braking Systems</i>	
<i>BAE Systems</i>		<i>Moog, Inc.</i>	
<i>Honeywell</i>		United Defense LP	
<i>Lockheed Martin</i>		GDLS	
		Alcoa Fastening System	
		Raytheon	

<i>Navy Alliance</i>
<i>Air Force Alliance</i>
<i>Army Alliance</i>

**Service &
DLA
Combined
Leverage =
Availability,
Performance,
Affordability**

□ **Bold italics formatting indicates awarded**



SSA Benefits

SSA	Post-SSA ALT Improvement (days)	Post-SSA PLT Improvement (days)	Post-SSA Price Reduction
Boeing	-85.0	-163.9	-5.1%
GE	-68.6	-32.7	-5.1%
Hamilton Sundstrand	-44.6	-27.6	-11.1%
Lockheed	-113.8	-61.9	-1.2%
Pratt & Whitney	-82.5	-27.1	-4.2%
Sikorsky	-84.5	-215.8	-5.3%
OshKosh	-4.5	-3.2	-5.6%
AM General	-10.0	5.2	-7.8%

**POM Forecasted Inventory Savings FY04-09 -
\$234M**



Small Business Participation in SMS

- DLA is committed to meeting socio-economic goals in SMS and other programs
- SMS supports small businesses by developing “Market Baskets” specifically targeted for that community
- 2003 Results:
 - 41% of DLA awards were to small businesses
 - \$7.1B awarded to Small Businesses

A Small and Disadvantaged Business Utilization Of
<http://www.dla.mil/db>



Summary

- **DLA is transforming the way we do business**
- **SMS and SSAs are integral parts of that transformation**
- **Socio-economic concerns continue to play a key role in DLA's long-term plans**
- **Strategic approach pays DOD dividends**